

# Auditing Procedures Report

\*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.06)

Unit Name	Township of Troy	County	NEWAYGO	Type	TOWNSHIP	MuniCode	62-1-230
Opinion Date-Use Calendar	Aug 15, 2008	Audit Submitted-Use Calendar	Aug 28, 2008	Fiscal Year End Month	03	Fiscal Year	2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

**Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."**

<input checked="" type="checkbox"/> <input type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> <input type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input type="checkbox"/> <input type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> <input type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> <input type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> <input type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> <input type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> <input type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> <input type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> <input type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> <input type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input type="checkbox"/> <input type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> <input type="checkbox"/>	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? <input type="text" value="NA"/>
<input checked="" type="checkbox"/> <input type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> <input type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> <input type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/> <input type="checkbox"/>	18. Are there reported deficiencies?
<input checked="" type="checkbox"/> <input type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	<input type="text" value="33,106.00"/>
General Fund Expenditure:	<input type="text" value="27,101.00"/>
Major Fund Deficit Amount:	<input type="text" value="0.00"/>

General Fund Balance:	<input type="text" value="58,777.00"/>
Governmental Activities Long-Term Debt (see instructions):	<input type="text" value="0.00"/>

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)	Jodi	Last Name	DeKuiiper	Ten Digit License Number	1101021180		
CPA Street Address	711 W. Main Street	City	Fremont	State MI	Zip Code 49412	Telephone	+1 (231) 924-6890
CPA Firm Name	Hendon & Slate, PC	Unit's Street Address	6033 W. 13 Mile Road	Unit's City	Bitely	Unit's Zip	49309

**TOWNSHIP OF TROY  
NEWAYGO COUNTY, MICHIGAN**

**FINANCIAL STATEMENTS**

**MARCH 31, 2008**

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## TOWNSHIP OF TROY

### Board Members

	<u>Position</u>
Bruce McGhan	Supervisor
Lisa Fletcher	Treasurer
Maxine Wolgamott	Clerk
Gayle Wolgamott	Trustee
Loretta Wolgamott	Trustee

# H&S Companies

Hendon & Slate, PC  
Certified Public Accountants  
Business Consultants

Township Board  
Township of Troy  
Newaygo County

## Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Troy Township as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Townships' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free from material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Troy Township, Michigan as of March 31, 2008, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages 3 through 5 and 20 through 23, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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Grand Rapids, MI 49546  
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Fax (616) 453-9352

Muskegon  
4985 South Harvey Street  
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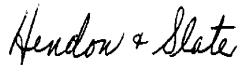
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711 West Main Street  
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Montague  
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Hart, MI 49420  
Phone (231) 873-5611  
Fax (231) 873-7033

[www.hscompanies.com](http://www.hscompanies.com)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Troy Township, Michigan's basic financial statements. The introductory section, combining and individual non major fund statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual non major fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

A handwritten signature in cursive script that reads "Hendon & Slate".

Hendon & Slate, P.C.  
Certified Public Accountants  
August 15, 2008

## TOWNSHIP OF TROY

### Management's Discussion and Analysis March 31, 2008

#### Using this Annual Report

This annual report consists of a series of financial statements. The Governmental Wide Statement of Net Assets and the Government Wide Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

#### The Township as a Whole

The Township's combined net assets increased 10% from a year ago - increasing from \$148,000 to \$163,000. This was the result of funds from State (Metro Act and National Forest) and increase in cemetery fees not previously collected. In a condensed format, the table below shows key financial information (in future years, when more information is available, a comparative analysis will be made):

	Governmental Activities <u>2008</u>	Governmental Activities <u>2006</u>
Current Assets	\$ 149,036	\$ 126,326
Noncurrent Assets	<u>11,547</u>	<u>3,927</u>
Total Assets	<u>\$ 160,583</u>	<u>\$ 130,253</u>
Long-Term Debt Outstanding	\$ -	\$ -
Other Liabilities	<u>169</u>	<u>1,122</u>
Total Liabilities	<u>\$ 169</u>	<u>\$ 1,122</u>
Net Assets		
Invested in Capital Assets-Net of Debt	\$ 11,547	\$ 3,927
Unrestricted	<u>148,867</u>	<u>125,204</u>
Total Net Assets	<u>\$ 160,414</u>	<u>\$ 129,131</u>

Unrestricted net assets - the part of net assets that can be used to finance day to day operating, increased by \$13,213 for the governmental activities. This represents an increase of approximately 10%.

	Governmental Activities <u>2008</u>	Governmental Activities <u>2006</u>
Program Revenues		
Charges for Services	\$ 790	\$ 2,550
General Revenues		
Property Taxes	37,600	34,234
State Shared Revenues	16,718	16,412
Investment Earnings	6,248	2,809
Miscellaneous	<u>5,804</u>	<u>14,102</u>
Total Revenues	<u>\$ 67,160</u>	<u>\$ 70,107</u>

## Management's Discussion and Analysis (Continued)

Program Expenses		
General Government	30,748	24,618
Public Safety	14,769	14,353
Public Works	<u>9,364</u>	<u>15,240</u>
Total Expenses	<u>54,881</u>	<u>54,211</u>
Change in Net Assets	<u>\$ 12,279</u>	<u>\$ 15,896</u>

The Township's total net assets continue to remain healthy. The total revenues increased slightly, and expenses increased by about the same amount. As a result, net assets grew by \$13,213, about the same as last year.

### **Governmental Activities**

The Township's total governmental revenues increased by about \$1,000. These increases were off-set by decreases in State revenue.

Expenses increased by about \$1,100 over the prior year largely due to road improvements made this year which were not made in the prior year.

### **Business-Type Activities**

The Township had not business type activities.

### **The Township's Fund**

Our analysis of the Township's major funds follows the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2008 include the General Fund, the Fire Fund, the Road Fund, and the Cemetery Fund.

### **General Fund Budgetary Highlights**

The Township Board made minor amendment to the budget at the end of the year to take into account events during the year. However, the Board over-expended on two activities as reported in the notes to the financial statements.

### **Capital Asset and Debt Administration**

At the end of 2008, the Township had \$20,398 invested in capital assets, including land and buildings. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the township's financial statements because of Michigan law, which makes these roads property of the Muskegon County Road Commission (along with the responsibility to maintain them).



**Economic Factors and Next Year's Budgets and Rates**

The Township's budget for 2009 calls for a increase in property taxes of \$15,000. The Township also projects that state shared revenue will remain about the same with a small increase and other revenue was decreased substantially until known events occur. The expenditure budget was increased by almost 20% over the 2008 budget.

**Contacting the Township's Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

# TOWNSHIP OF TROY

## Government Wide Statement of Net Assets March 31, 2008

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and Investments	\$ 144,054
Taxes Receivable	4,631
Accounts Receivable-Fiduciary Funds	185
Prepaid Insurance	166
Property and Equipment	20,398
Accumulated Depreciation	<u>(8,851)</u>
 Total Assets	 160,583
 <b>Liabilities and Net Assets</b>	
 Liabilities	
Accounts Payable	<u>169</u>
 Total Liabilities	 169
 <b>Net Assets</b>	
Invested in Capital Assets	
Net of Related Debt	11,547
Unrestricted	<u>148,867</u>
 Total Net Assets	 <u><u>\$ 160,414</u></u>

The Notes to the Financial Statements are an integral part of this statement

# TOWNSHIP OF TROY

## Government Wide Statement of Activities For the Year Ended March 31, 2008

	<u>Expenses</u>	<u>Program Revenues Charges for Services</u>	<u>Net (Expenses) Revenue and Changes in Net Assets Governmental Activities</u>
<b>Primary Government</b>			
General Government	\$ 30,748	\$ 790	\$ (29,958)
Public Safety	14,769	-	(14,769)
Public Works	9,364	-	(9,364)
<b>Total Primary Government</b>	<b><u>\$ 54,881</u></b>	<b><u>\$ 790</u></b>	<b><u>(54,091)</u></b>

### General Revenues

Property Taxes - Levied for General Purpose	\$ 8,633
Property Taxes - Levied for Public Safety	19,482
Property Taxes - Levied for Cemetery Operation	4,727
Property Taxes - Levied for Public Works	4,758
State Sources	16,718
Interest Income	6,248
Miscellaneous	5,804

<b>Total General Revenues</b>	<b><u>66,370</u></b>
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Change in Net Assets	12,279
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Net Assets - <del>Beginning</del> 2004	<u>148,135</u>
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Net Assets - <del>Ending</del> 2005	<u><u>\$ 160,414</u></u>
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The Notes to the Financial Statements are an integral part of this statement.

# TOWNSHIP OF TROY

## Governmental Fund Balance Sheet March 31, 2008

	General Fund	Fire Fund	Cemetery Fund	Road Fund	Total (Memo Only)
<b>Assets</b>					
Cash	\$ 48,403	\$ 29,654	\$ 22,190	\$ 20,027	\$ 120,274
Certificates of Deposit	11,945	-	5,931	5,904	23,780
Due from Other Funds	568	-	-	3,034	3,602
Taxes Receivable	1,063	2,400	582	586	4,631
<b>Total Assets</b>	<b><u>\$ 61,979</u></b>	<b><u>\$ 32,054</u></b>	<b><u>\$ 28,703</u></b>	<b><u>\$ 29,551</u></b>	<b><u>\$ 152,287</u></b>
<b>Liabilities</b>					
Accounts Payable	\$ 169	\$ -	\$ -	\$ -	\$ 169
Due to Other Funds	3,034	-	383	-	3,417
<b>Total Liabilities</b>	<b>3,203</b>	<b>-</b>	<b>383</b>	<b>-</b>	<b>3,586</b>
<b>Fund Equity</b>					
Unrestricted	58,776	32,054	28,320	29,551	148,701
<b>Total Liabilities and Fund Equity</b>	<b><u>\$ 61,979</u></b>	<b><u>\$ 32,054</u></b>	<b><u>\$ 28,703</u></b>	<b><u>\$ 29,551</u></b>	<b><u>\$ 152,287</u></b>

The Notes to the Financial Statements are an integral part of this statement.

## TOWNSHIP OF TROY

### Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets For the Year Ended March 31, 2008

Total Governmental Fund Balances	\$	148,701
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Total net assets reported for governmental activities in the statement of net assets are different from the amount reported as total governmental funds fund balance because:

Prepaid Insurance reflects amounts that will be used in a future period.	166
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Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net assets:

Governmental Capital Asset	20,398
Governmental Accumulated Depreciation	<u>(8,851)</u>

Total Net Assets - Governmental Activities:	<u>\$</u>	<u>160,414</u>
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The Notes to the Financial Statements are an integral part of this statement.

# TOWNSHIP OF TROY

## Governmental Fund Statements of Revenue, Expenditures, and Changes in Fund Balance For the Year Ended March 31, 2008

	General Fund	Fire Fund	Cemetery Fund	Roads Fund	Total Governmental Funds
<b>Revenues</b>					
Taxes	\$ 8,633	\$ 19,482	\$ 4,727	\$ 4,758	\$ 37,600
State Grants	16,718	-	-	-	16,718
Interest	3,684	736	927	901	6,248
Miscellaneous	4,071	71	790	1,662	6,594
<b>Total Revenues</b>	<b>33,106</b>	<b>20,289</b>	<b>6,444</b>	<b>7,321</b>	<b>67,160</b>
<b>Expenditures</b>					
General Government	\$ 24,865	\$ -	\$ 3,412	\$ -	\$ 28,277
Public Safety	-	14,769	-	-	14,769
Public Works	-	-	-	9,364	9,364
Unallocated	627	-	-	-	627
Capital Outlay	1,609	-	-	-	1,609
<b>Total Expenditures</b>	<b>27,101</b>	<b>14,769</b>	<b>3,412</b>	<b>9,364</b>	<b>54,646</b>
Excess Revenue Over (Under) Expenditures	6,005	5,520	3,032	(2,043)	12,514
Fund Balance - Beginning	52,772	26,534	25,289	31,593	136,188
Fund Balance - Ending	<u><u>\$ 58,777</u></u>	<u><u>\$ 32,054</u></u>	<u><u>\$ 28,321</u></u>	<u><u>\$ 29,550</u></u>	<u><u>\$ 148,702</u></u>

The Notes to the Financial Statements are an integral part of this statement.

## TOWNSHIP OF TROY

### Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year March 31, 2008

Net Change in Fund Balances - Total Governmental Funds	\$	12,514
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Amounts reported for governmental activities in the statement of activities are different because:

Prepaid expenses reflect amounts that will be paid in a future period:

Current Year Prepaid Insurance	166	
Prior Year Prepaid Insurance	<u>(161)</u>	5

The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expense

Capital outlay reported in governmental fund statements	8,611	
Capital outlay reported as expenses in statement of activities	(8,851)	
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) in assets	-	
Depreciation expense reported in the statement of activities	<u>-</u>	(240)

Changes in Net Assets - Governmental Activities	\$	<u>12,279</u>
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The Notes to the Financial Statements are an integral part of this statement.

# TOWNSHIP OF TROY

## Statement of Net Assets - Fiduciary Funds March 31, 2008

	<u>Tax Fund</u>
<b>Assets</b>	
Cash	<u>\$        185</u>
<b>Total Assets</b>	<u><u>\$        185</u></u>
<b>Liabilities and Net Assets</b>	
Liabilities	
Due to Other Funds	\$        185
Due to County	-
Due to Schools & ISD	-
Due to Community College	<u>-</u>
<b>Total Liabilities</b>	<b>185</b>
Net Assets	
<b>Unreserved</b>	<u>-</u>
<b>Total Liabilities and Net Assets</b>	<u><u>\$        185</u></u>

The Notes to the Financial Statements are an integral part of this statement.



## **TOWNSHIP OF TROY**

### **Notes to the Financial Statements For the Year Ended March 31, 2008**

#### **NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Troy Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant policies used by Troy Township.

##### **A. Reporting Entity**

The reporting entity is a general law township as defined by the laws of the State of Michigan. The Township is governed by a Supervisor and Township Board.

As defined by Governmental Accounting Standards Board (GASB) No. 14, the financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government has financial accountability if it:

1. Appoints a voting majority of the organization's board, and, has the ability to impose its will on the organization; or
2. There is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

Based on this criteria, there are no other entities included in this report.

##### **B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

#### C. Measurement Focus, basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for property taxes which are recorded as revenue in the year of levy. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are record only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is when they become both measurable and available to finance expenditures of the fiscal period.

##### 1. Property Taxes Receivable

The Township property tax is levied on each December 1st on the taxable valuation of the property (as defined by state statutes) located in the Township as of the preceding December 31st. The taxes are due on September 14th and February 14th, with the final collection date of February 28th before they are added to the County tax rolls. The 2007 delinquent taxes of \$4,631 were received in June 2008, which exceeds the general rule (60 days), however is soon enough to pay liabilities of the current period. These taxes have been recorded as revenue for the current year.

## Notes to the Financial Statements (continued)

The 2007 taxable valuation of the Township was \$9,843,632 on which ad valorem taxes, before Headlee rollback, consisted of 1 mill for general operating, 2 mills for fire operating and protection, .5 mills for cemetery operating and maintenance, and .5 mills for road maintenance raising \$8,633 for operating, \$19,482 for fire operating and protection, \$4,727 for cemetery operating and maintenance, and \$4,757 for road maintenance. These amounts are recognized in the respective general and special revenue fund financial statements as current tax revenue.

The government reports the following major governmental funds:

The General fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Fire fund accounts for the resources of property tax revenue and charges for services that are restricted for fire protection purposes.

The Cemetery Fund accounts for property tax revenues that are restricted for the operation and maintenance of the cemetery land held by the township.

The Road Fund accounts for property tax and National Forest revenues that are restricted for the repair, improvement, and maintenance of the township roads.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

### D. Assets, Liabilities, and Fund Balance

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund based on the cash balance in each fund.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds".

Inventories and Prepaid Items - Payments for inventorable types of supplies are recorded as expenditures at the time of purchase. Normally expenditures are not divided between years by the recording of prepaid expenses. There were no material inventories at year end.

Capital Assets - Capital assets, which include property, building and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, building and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Vehicles	3 to 5 years
Office Equipment	5 to 7 years
General Equipment	5 to 10 years

Salvage value is estimated at 10% of cost

Long-Term Obligations - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. As of March 31, 2008 the Township has no outstanding debt.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Use of Estimates - The preparation of financial statements in conformity with general accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE B STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. The Township approves its originally adopted budget by the end of the current fiscal year. No amendments are approved during the year.

The budget document presents information by fund, activity, and line items. The legal level of budgetary control adopted by the governing body is the activity level.

The Township does not utilize encumbrance accounting.

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Local Governmental Unit incurred expenditures in certain budgeted funds which were materially in excess of the amounts appropriated, as follows:

<u>Budget Item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditures</u>
General Fund - Township Halls & Ground	1,440	1,558

NOTE C DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Township is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township Board has designated two banks for the deposit of Local Unit funds. The investment policy adopted by the board in accordance with Public Act 196 of 1997 is in accordance with statutory authority.

The Township's deposits and investment policy are in accordance with statutory authority.

The Township's deposits were reported in the basic financial statements in the following

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Primary Government</u>
Cash and Cash Equivalents	\$ 144,055	\$ 185	\$ 144,240

Notes to the Financial Statements (continued)

The bank balance of the Township's deposits is \$144,240, of which \$122,103 is covered by federal depository insurance and \$20,460 is uninsured.

The Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Township evaluates each financial institution with which it deposits Township funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Depositories actively used by the Township during the year are detailed as follows:

1. Lake Osceola State Bank
2. West Shore Bank

NOTE D RECEIVABLES

Receivables as of year-end for the Township's individual major and nonmajor funds, and the fiduciary funds in the aggregate, including the applicable allowances for uncollected accounts, which for the current year there are none due to the assurance of collection from the County of significantly all delinquent taxes, are as follows:

	General Fund	Fire Fund	Cemetery Fund	Roads Fund	Total
Property Taxes	\$ 793	\$ 1,738	\$ 434	\$ 428	\$ 3,393
Fiduciary Funds	186	-	-	-	186
Less Allowance for Uncollectibles	-	-	-	-	-
Net Receivables	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 434</u>	<u>\$ 428</u>	<u>\$ 3,579</u>

NOTE E CAPITAL ASSETS

Capital asset activity of the primary government of the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital Assets not Being Depreciated				
Land	\$ 2,432	\$ -	\$ -	\$ 2,432
Capital Assets Being Depreciated				
Building & Improvements	17,966	-	-	17,966
Less Accumulated Depreciation for Building	8,611	240	-	8,851
Net Capital Assets being depreciated	11,043	240	-	11,283
Total Governmental Activities Capital Capital Assets - Net of Depreciation	<u>\$ 13,475</u>	<u>\$ 240</u>	<u>\$ -</u>	<u>\$ 13,715</u>

There is no current depreciation expense to be charged to programs of the primary government.

Notes to the Financial Statements (continued)

NOTE F PAYABLES

Payables at March 31, 2008, were as follows:

Times Indicator	\$ 64
Staples	99
Newaygo County	<u>6</u>
Total Payables	<u><u>\$ 169</u></u>

NOTE G INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

Receivable Fund (Due From)		Payable Fund (Due To)	
General Fund	\$ 568	General Fund	\$ 3,034
Fire Fund	-	Cemetery Fund	383
Road Fund	3,034	Trust & Agency Fund	<u>185</u>
Cemetery Fund	<u>-</u>		
	<u><u>\$ 3,602</u></u>		<u><u>\$ 3,602</u></u>

All amounts are expected to be paid within one year. The Township had no transfers between funds during the year.

NOTE H RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets and omissions; and natural disasters for which the Township carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

# TOWNSHIP OF TROY

## Required Supplementary Information Budgetary Comparison Schedule for General Fund For the Year Ended March 31, 2008

	Budgeted Amounts			Variance to
	Original	Final	Actual	Final Budget
Beginning Year Fund Balance	\$ -	\$ -	\$ 52,772	\$ 52,772
<b>Resources (Inflows)</b>				
Property Taxes	24,609	39,274	8,633	(30,641)
State Shared Revenue	18,000	18,000	16,718	(1,282)
Interest	3,500	3,500	3,684	184
Other	5,200	5,200	4,071	(1,129)
Amounts Available for Appropriation	51,309	65,974	85,878	19,904
<b>Charges to Appropriations (Outflows)</b>				
General Government	25,300	32,648	26,474	6,174
Public Safety	1,200	953	-	953
Public Works	-	-	-	-
Other Expenditures	3,600	627	627	-
Total Charges to Appropriation	30,100	34,228	27,101	7,127
 Budgetary Fund Balance - March 31, 2008	 \$ 21,209	 \$ 31,746	 \$ 58,777	 \$ 27,031



# TOWNSHIP OF TROY

## Required Supplementary Information Budgetary Comparison Schedule for Fire Fund For the Year Ended March 31, 2008

	Budgeted Amounts			Variance to
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Beginning Year Fund Balance	\$ -	\$ -	\$ 26,534	\$ 26,534
<b>Resources (Inflows)</b>				
Property Taxes	-	-	19,482	19,482
Interest			736	
Miscellaneous	-	-	71	71
Amounts Available for Appropriation	-	-	46,823	46,087
<b>Charges to Appropriations</b>				
Contracted Service	14,800	14,800	14,769	31
 Budgetary Fund Balance - March 31, 2008	<u><u>\$ (14,800)</u></u>	<u><u>\$ (14,800)</u></u>	<u><u>\$ 32,054</u></u>	<u><u>\$ 46,056</u></u>

# TOWNSHIP OF TROY

## Required Supplementary Information Budgetary Comparison Schedule for Cemetery Fund For the Year Ended March 31, 2008

	Budgeted Amounts			Variance to
	Original	Final	Actual	Final Budget
Beginning Year Fund Balance	\$ -	\$ -	\$ 25,289	\$ 25,289
<b>Resources (Inflows)</b>				
Property Taxes	-	-	4,727	4,727
Charges for Services	-	-	450	450
Interest			927	
Other Revenue	-	-	340	340
Amounts Available for Appropriation	-	-	31,733	30,806
<b>Charges to Appropriations</b>				
General Government				
Wages			450	
Contracted Service			2,928	
Miscellaneous			34	
Total General Government	4,300	4,300	3,412	888
Total Charges to Appropriation	4,300	4,300	3,412	888
 Budgetary Fund Balance - March 31, 2008	 \$ (4,300)	 \$ (4,300)	 \$ 28,321	 \$ 31,694

# TOWNSHIP OF TROY

## Required Supplementary Information Budgetary Comparison Schedule for Road Fund For the Year Ended March 31, 2008

	Budgeted Amounts			Variance to
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Beginning Year Fund Balance	\$ -	\$ -	\$ 31,593	\$ 31,593
<b>Resources (Inflows)</b>				
Property Taxes	-	-	4,758	4,758
Interest	-	-	901	901
National Forest	-	-	1,182	1,182
Other	-	-	480	480
Amounts Available for Appropriation	-	-	38,914	38,914
<b>Charges to Appropriations</b>				
Repairs and Maintenance	6,745	9,395	9,364	31
Budgetary Fund Balance - March 31 ,2008	<u>\$ (6,745)</u>	<u>\$ (9,395)</u>	<u>\$ 29,550</u>	<u>\$ 38,883</u>

# TOWNSHIP OF TROY

## Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund For the Year Ended March 31, 2008

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
<b>Revenues</b>			
Taxes - Current	\$ 39,274	\$ 8,633	\$ (30,641)
State Grants - Shared Revenue	18,000	16,718	(1,282)
Summer Tax Reimbursement	-	793	793
Interest	3,500	3,684	184
Miscellaneous	<u>5,200</u>	<u>3,278</u>	<u>(1,922)</u>
Total Revenues	65,974	33,106	(32,868)
<b>Expenditures</b>			
<b>General Government</b>			
Township Board			
Salaries and Wages		1,145	
Payroll Taxes		1,159	
Supplies		985	
Printing & Publishing		1,230	
Miscellaneous		226	
Utilities		<u>1,609</u>	
	9,713	6,354	3,359
Supervisor			
Salaries and Wages	3,000	2,750	250
Clerk			
Salaries and Wages		4,000	
Miscellaneous		<u>1,268</u>	
	5,274	5,268	6
Treasurer			
Salaries and Wages		4,000	
Office Supplies		<u>1,034</u>	
	5,485	5,034	451
Elections			
Salaries and Wages		792	
Supplies		88	
Miscellaneous		<u>30</u>	
	2,500	910	1,590

Statement of Revenues, Expenditures and  
Changes in fund Balance - General Fund (continued)

Assessor			
Salaries and Wages	\$ 3,000	\$ 2,500	\$ 500
Township Hall and Grounds			
Contracted Services		1,404	
Miscellaneous		154	
	\$ 1,440	\$ 1,558	\$ (118)
Board of Review & Appeals			
Salaries		700	
Advertising		1,340	
Miscellaneous		60	
	2,236	2,100	136
Total General Government	32,648	26,474	6,174
<b>Public Safety</b>			
Medical Rescue	953	-	953
Total Public Safety	953	-	953
<b>Other Expenditures</b>			
Unallocated			
Insurance		302	
Miscellaneous		325	
	627	627	-
Total Expenditures	34,228	27,101	7,127
Excess Revenues Over (Under) Expenditures	\$ 31,746	6,005	\$ (25,741)
Fund Balance - Beginning		52,772	
Fund Balance - Ending		\$ 58,777	

# H&S Companies

Hendon & Slate, PC  
Certified Public Accountants  
Business Consultants

Council Members,  
Township of Troy  
Newaygo County,  
Bitely, MI 49309

In planning and performing our audit of the financial statements of Township of Troy as of and for the year ended March 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Township of Troy's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township of Troy's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the following deficiencies to be significant deficiencies in internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, we did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. We identified the

Grand Rapids  
4575 Lake Michigan Dr. NW  
Grand Rapids, MI 49546  
Phone (616) 453-8551  
Fax (616) 453-9352

Muskegon  
4985 South Harvey Street  
Muskegon, MI 49444  
Phone (231) 798-1040  
Fax (231) 798-8409

Fremont  
711 West Main Street  
Fremont, MI 49412  
Phone (231) 924-6890  
Fax (231) 924-4088  
Toll Free (800) 924-6891

Montague  
4538 Dowling Street  
Montague, MI 49437  
Phone (231) 893-6772

Hart  
1550 N. Industrial Park Drive  
Hart, MI 49420  
Phone (231) 873-5611  
Fax (231) 873-7033

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following deficiencies in internal control that we consider to be significant deficiencies.

Anti-Fraud Program

The Township has not adopted an Anti-Fraud Program as required by SAS 99.

Controls over Non-Routine and Non-Systematic Transactions

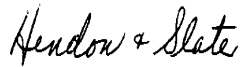
The Township does not have controls in place whereby adjusting journal entries are reviewed by individuals independent of the person initiating the transactions.

Controls over the Selection and Application of Accounting Principles that are in Conformity with Generally Accepted Accounting Principles

The Township currently does not have personnel available with sufficient expertise to select and apply the accounting principles necessary to prepare the financial statements and note disclosures contained in the audit report.

This communication is intended solely for the information and use of management and the Township Board, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in cursive script that reads "Hendon & Slate".

Hendon & Slate, P.C.  
Certified Public Accountants  
August 15, 2008

# H&S Companies

Hendon & Slate, PC  
Certified Public Accountants  
Business Consultants

August 15, 2008

To the Board Members  
Township of Troy, Bitely, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Township of Troy for the year ended March 31, 2008, and have issued our report thereon dated August 15, 2008. Professional standards require that we provide you with the following information related to our audit.

## Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated April 14, 2008, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

## Significant Audit Findings

### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Village of Walkerville are described in Note A of the financial statements. No new accounting policies were adopted and the applications of existing policies were not changed during the 2007-2008 fiscal year. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements was (were):

Grand Rapids  
4575 Lake Michigan Dr. NW  
Grand Rapids, MI 49546  
Phone (616) 453-8551  
Fax (616) 453-9352

Muskegon  
4985 South Harvey Street  
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Phone (231) 798-1040  
Fax (231) 798-8409

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711 West Main Street  
Fremont, MI 49412  
Phone (231) 924-6890  
Fax (231) 924-4088  
Toll Free (800) 924-6891

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4538 Dowling Street  
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Phone (231) 893-6772

Hart  
1550 N. Industrial Park Drive  
Hart, MI 49420  
Phone (231) 873-5611  
Fax (231) 873-7033

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Management's estimate of the accumulated depreciation on property and equipment is based on straight line depreciation . We evaluated the key factors and assumptions used to develop the Capital outlay and assets in determining that it is reasonable in relation to the financial statements taken as a whole.

The disclosures in the financial statements are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

#### *Disagreements with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated August 15, 2008.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations . If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### *Other Audit Findings or Issues*

##### Budget Over expenditures

During our audit, we again noted a few instances of budgeted expenditures exceeding budgeted revenues. The budgets for the special revenue funds (fire, road and cemetery) did not reflect expected revenues or prior year carry over (fund balance). When adopting and amending the budgets, we recommend including the amount of expected revenues for the appropriate funds as well as the expenditures. We also noted that one activity exceeded the budgeted amount by an immaterial amount. We recommend that the board continue to compare actual expenditures to budgeted expenditures on a regular basis and make amendments as needed to avoid over expenditures.

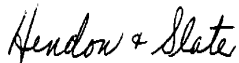
### Segregation of Duties

While the Township is following the common practice amongst small governments of having the treasurer bear all of the responsibility for accounting for tax receipts and disbursements, the Uniform Accounting Procedures Manual does state that the clerk is to have a role in this process. Per the Manual, the Township should have a separate set of accounts similar to any other fund (such as the General Fund) and should use the same practices for accounting for transactions. That is to say that the Treasurer should receipt tax revenues and provide the receipt to the clerk to be recorded in the Tax Account. The clerk should also record all of the checks out of the Tax Account and reconcile the accounts of this fund with the treasurer's records. We understand that the Township may see this as an unnecessary series of steps that have never been performed and are often not performed by other Townships, but we view this as an opportunity to both comply with the Uniform Accounting Procedures Manual as well as strengthening the internal controls over cash and the entire tax collection and disbursement process. We have included a copy of the Uniform Accounting Procedures Manual and would be happy to assist the township in implementing these changes.

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the members of the board and management of Township of Troy and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Hendon & Slate".

Hendon & Slate, PC  
Certified Public Accountants  
Fremont, Michigan